99th Congress, 2d Session - - - - - - - - - - - Senate Document 99-23

BUDGET REDUCTIONS FOR FISCAL YEAR 1986

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

BUDGET REDUCTIONS FOR FISCAL YEAR 1986, PURSUANT TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

FEBRUARY 6, 1986.—Ordered to be printed

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REPORT OF SUBMITTAL

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, DC, January 21, 1986.

Hon. GEORGE BUSH,
President of the Senate.

DEAR MR. PRESIDENT: I hereby submit my report for fiscal year 1986 as required by the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177).

Sincerely,

CHARLES A. BOWSHER,
Comptroller General of the United States.

GAO

United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States
B-221486

January 21, 1986

The President
The President of the Senate
The Speaker of the House of Representatives

Having received the report of the Directors of the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO), I hereby submit my report for fiscal year 1986 as required by the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177).

My report makes several changes in individual accounts, but these changes are not sufficient in the aggregate to alter the percentage reductions of 4.9 percent for defense programs and 4.3 percent for non-defense programs, as contained in the report received from OMB and CBO.

Summary of Changes from the Report of OMB and CBO

The General Accounting Office (GAO) changes from the OMB/CBO report are specified and explained in Appendix A. They are summarized as follows:

OMB and CBO did not include in the sequesterable base approximately $6.3 billion of unobligated balances authorized for transfer to other accounts in the Department of Defense. We determined that these amounts should be included in the base and made subject to sequester. This increases the amount to be sequestered in the Department of Defense by $309 million. The outlays associated with this increase in the amount to be sequestered are $44.6 million.

OMB and CBO did not agree on whether or not the appropriation to pay the federal share of interest costs on bonds issued by the Washington Metropolitan Area Transit Authority should be subject to sequester. We determined that it should not. Thus, the amount of this federal subsidy payment is not affected by the Act.

We also differ from the OMB/CBO report with respect to the application of the Act to certain other accounts in the non-defense area. In some cases, the Directors reported amounts as being subject to sequester that we determined should not be sequestered. In other cases the situation was reversed. The net effect of these changes is to increase the estimated outlay reduction from sequester in the non-defense area by $3.3 million.

Summary of Required Determinations

Having concluded that any economic assumptions that we might adopt as alternatives to those used by OMB and CBO would not affect the required reduction for fiscal year 1986, we did not develop an independent set of economic assumptions for this report. We reviewed the assumptions contained in the OMB/CBO report, along with the numerous forecasts available outside the government. On the basis of this review, together with our analysis of current economic conditions, we determined that both the OMB and CBO assumptions were within a reasonable range for fiscal year 1986. No alternative assumptions which we might adopt would result in a deficit of less than $191.9 billion, and any deficit exceeding this amount requires sequestering the maximum amount of $11.7 billion for fiscal year 1986. The economic assumptions are discussed further in Appendix B.

Revenues are estimated at $776.0 billion in fiscal year 1986. Outlays are estimated at $996.5 billion. This yields a deficit of $220.5 billion, which is $48.6 billion more than the maximum deficit amount of $171.9 billion specified in the Act.

The required deficit reduction of $11.7 billion is to be divided equally between defense and non-defense programs, $5.9 billion each. Eliminating automatic spending increases for certain indexed programs is estimated to reduce outlays by $1.0 billion, of which $497 million is credited to defense and $542 million to non-defense.

The remaining reduction required in defense programs is $5.4 billion. The President has informed us that, as authorized by the Act, he has decided to exempt about $61.3 billion of military personnel costs from the sequestration procedures of the Act. To achieve the required reduction from the remaining defense programs requires a uniform percentage reduction of 4.9 percent, the same as reported by OMB and CBO.

The remaining reduction required in non-defense programs is $5.3 billion. Certain of these programs, such as Guaranteed Student Loans and Medicare, are subject to special reduction procedures. Applying these procedures yields outlay reductions of $397 million. To achieve the remaining $4.9 billion of outlay reductions requires a uniform reduction of 4.3 percent in the other non-defense programs, which is again the same figure as reported by OMB and CBO.

The principal determinations required by the Act are shown in Appendix C. Determinations with respect to programs designated as automatic spending increases and programs subject to special rules are contained in Appendix D.

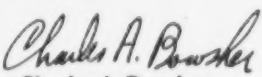
Procedures Used by GAO

This report reflects the results of GAO's review of the report and other material submitted by OMB and CBO. Much of this material, including voluminous supporting documentation and data, was supplied before the delivery of the OMB/CBO report. In addition, we considered information available to us through our ongoing audit, evaluation, and other analytical work, and information that we gathered from OMB, CBO, and the

departments and agencies while preparing this report. We also held in-depth discussions with officials and staff of OMB, CBO, and the departments and agencies.

Differences in amounts reported by OMB and CBO for certain defense accounts led us to review these accounts with particular care. We discussed these accounts with staff of the Office of the Secretary of Defense and the military departments, as well as OMB and CBO, in order to assess the methodologies used by each agency to develop its estimates. After reviewing the available data, we concluded that each agency has historically been reasonably accurate in short-term estimating of total defense outlays. Accordingly, we concluded that there was no basis for choosing one methodology as superior to the other. Thus, we decided to use the average of the two estimates, as reported by OMB and CBO, as the basis for the sequestration procedures required by the Act.

This letter and its four Appendices constitute the report of the Comptroller General of the United States to the President and the Congress for fiscal year 1986, as required by the Balanced Budget and Emergency Deficit Control Act of 1985.



Charles A. Bowsher
Comptroller General
of the United States

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Appendix B - Economic Assumptions

Appendix C - Principal Determinations Required by the Act

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Appendix A

Changes Required from the Report of OMB and CBO

Introduction

This Appendix A sets out and explains the changes from the OMB/CBO report by the Comptroller General. The Appendix consists of two parts. Part I covers defense programs and Part II covers non-defense programs. Except for these changes, our determination of the base from which reductions are to be made, the percentage and amount of reductions, and the estimated outlay savings resulting from these reductions are the same as in the OMB/CBO report.

Part I (Defense) is divided into three sections. The first section adds to the sequesterable base about $6.3 billion of unobligated balances available for transfer which the OMB/CBO report excluded from the sequesterable base. This increases the amount to be sequestered in defense programs by $309 million, with associated outlays of $44.6 million. This is distributed among 18 of the defense Procurement and Research, Development, Test and Evaluation accounts. Following a narrative explanation of the changes are new account entries which substitute for the corresponding entries in the OMB/CBO report. In each case, the new entry identifies the page number in the Federal Register where the account appears and the account title.

The second section of Part I (Defense) makes changes in the defense program, project and activity (PPA) listing in the OMB/CBO report to reflect the account changes discussed above. In this section, the entries consist of new PPA lines to be inserted in the PPA listing at the indicated location. As with the account-level changes, each entry identifies the Federal Register page and the account title where the insertion is to be made.

The third section of Part I (Defense) adds three pages of the defense PPA listing which were inadvertently omitted from the OMB/CBO report to GAO and from the Federal Register. The narrative indicates the point in the OMB/CBO report at which these pages should be inserted. The pages are then reproduced in their entirety.

Part II (Non-defense) is limited to changes only at the account level, since neither the OMB/CBO report nor the report of the Comptroller General is required to adjust programs, projects, or activities within accounts in non-defense programs. In Part II, each narrative explanation of a change is followed by a new entry for the account affected. In each case, the new entry is a complete replacement for the existing entry in the OMB/CBO report. Each entry identifies the page in the Federal Register and the title of the account where the replacement is being made.

The GAO changes in both defense programs and non-defense programs have not been carried forward into all informational material appearing in the OMB/CBO report. Whenever changes are made by this Appendix in any account or program, project, or activity listing, parallel changes would be required for consistency in totals, summary tables, and other materials in the OMB/CBO report.

Part I - Defense Programs

The changes listed in Tables A-1 through A-3 are required with respect to the items and amounts shown for the defense programs in the OMB/CBO report. Page numbers refer to the report as published in the Federal Register on January 15, 1986.

Unobligated Balances Available For Transfer - Defense Budget Accounts

The OMB/CBO report did not include within the sequesterable base of the Department of Defense (DOD) over $6.3 billion of prior year unobligated balances of certain Procurement and Research, Development, Test and Evaluation (RDT&E) accounts. We find no basis for exempting these unobligated balances, however, and have included them in the sequesterable base.

Section 8103 of the Department of Defense Appropriations Act, 1986 (included as section 101(b) of the Further Continuing Appropriations Resolution for Fiscal Year 1986, P. L. 99-190), authorizes the Secretary of Defense to transfer $6,306,906,000 of unobligated balances from 18 Procurement and RDT&E accounts to other DOD accounts. This transfer authority has not been used by the Secretary. The funds therefore remain available for obligation in the Procurement and RDT&E accounts to which they were appropriated.

Section 8103 contains a specific proviso that none of the funds authorized to be transferred "may be transferred, reprogrammed, or otherwise applied to offset the impact of sequester orders required under the provisions of the Balanced Budget and Emergency Deficit Control Act of 1985." In our view, that restriction provides no authority to exempt these balances from sequestration in the accounts in which they are presently located, nor is there any other basis for such an exemption.

Table A-1 indicates the account-level changes that are required, and the pages of the January 15, 1986, Federal Register where these accounts are found. Items which are changed are indicated by bold type.

Table A- 1: Revised Defense Budget Accounts
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Department of the Navy					
Aircraft Procurement,Navy (07-15-1506-X-1-051-A; 17-1506)	1984				
Budget Authority		11,175,678	547,608	11,175,678	547,608
Unobligated Balances		2,857,719	140,028	2,857,719	140,028
Unobligated Balances Available for Transfer		0	0	**551,300**	**27,014**
Outlays		1,248,875	61,195	**1,297,937**	**63,599**
Weapons Procurement, Navy (07-15-1507 -X-1-051-A; 17-1507)	1984				
Budget Authority		5,227,693	256,157	5,227,693	256,157
Unobligated Balances		2,130,436	104,391	2,130,436	104,391
Unobligated Balances Available for Transfer		0	0	**15,000**	**735**
Outlays		790,825	38,750	**792,437**	**38,829**
Shipbuilding and Conversion, Navy (07-15-1611 -X-1-051-A; 17-1611)	1984				
Budget Authority		10,001,200	490,059	10,001,200	490,059
Unobligated Balances		11,761,651	576,321	11,761,651	576,321
Unobligated Balances Available for Transfer		0	0	**1,999,300**	**97,966**
Outlays		1,356,564	66,472	**1,481,188**	**72,578**
Other Procurement, Navy (07-15-1810 -X-1-051-A; 17-1810)	1984				
Budget Authority		6,040,800	295,999	6,040,800	295,999
Unobligated Balances		2,158,657	105,774	2,158,657	105,774
Unobligated Balances Available for Transfer		0	0	**276,483**	**13,548**
Outlays		881,156	43,177	**910,868**	**44,633**

Table A- 1: Revised Defense Budget Accounts (continued)
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Procurement, Marine Corps (07-15-1109 -X-1-051-A; 17-1109)	1983				
Budget Authority		1,660,766	81,378	1,660,766	81,378
Unobligated Balances		678,141	33,229	678,141	33,229
Unobligated Balances Available for Transfer		0	0	**47,717**	**2,338**
Outlays		224,885	11,019	**229,473**	**11,244**
Department of the Army					
Aircraft Procurement, Army (07-15-2031 -X-1-051-A; 21-2031)	1984				
Budget Authority		3,524,200	172,686	3,524,200	172,686
Unobligated Balances		889,898	43,605	889,898	43,605
Unobligated Balances Available for Transfer		0	0	**117,900**	**5,777**
Outlays		662,315	32,453	**680,005**	**33,320**
Missile Procurement, Army (07-15-2032-X-1-051-A; 21-2032)	1984				
Budget Authority		2,904,332	142,312	2,904,332	142,312
Unobligated Balances		1,009,016	49,442	1,009,016	49,442
Unobligated Balances Available for Transfer		0	0	**66,500**	**3,258**
Outlays		284,358	13,934	**289,190**	**14,170**
Other Procurement,Army (07-15-2035 -X-1-051-A; 21-2035)	1984				
Budget Authority		5,241,956	256,856	5,241,956	256,856
Unobligated Balances		1,869,692	91,615	1,869,692	91,615
Unobligated Balances Available for Transfer		0	0	**257,500**	**12,618**
Outlays		568,841	27,873	**589,438**	**28,882**

Table A- 1: Revised Defense Budget Accounts (continued)
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Procurement of Ammunition, Army (07-15-2034 -X-1-051-A; 21-2034)	1984				
Budget Authority		2,497,200	122,363	2,497,200	122,363
Unobligated Balances		256,426	12,565	256,426	12,565
Unobligated Balances Available for Transfer		0	0	**178,100**	**8,727**
Outlays		743,708	36,442	**791,810**	**38,799**
Procurement of Weapons and Tracked Combat Vehicles, Army (07-15-2033 -X-1-051-A; 21-2033)	1984				
Budget Authority		4,684,800	229,555	4,684,800	229,555
Unobligated Balances		1,520,846	74,521	1,520,846	74,521
Unobligated Balances Available for Transfer		0	0	**590,300**	**28,925**
Outlays		277,064	13,576	**303,419**	**14,868**
Department of the Air Force					
Aircraft Procurement,Air Force (07-15-3010 -X-1-051-A; 57-3010)	1984				
Budget Authority		23,255,424	1,139,516	23,255,424	1,139,516
Unobligated Balances		9,095,075	445,659	9,095,075	445,659
Unobligated Balances Available for Transfer		0	0	**1,110,400**	**54,410**
Outlays		2,220,270	108,793	**2,296,479**	**112,527**

Table A- 1: Revised Defense Budget Accounts (continued)
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Missile Procurement, Air Force (07-15-3020 -X-1-051-A; 57-3020)	1984				
Budget Authority		8,312,442	407,310	8,312,442	407,310
Unobligated Balances		2,775,347	135,992	2,775,347	135,992
Unobligated Balances Available for Transfer		0	0	82,800	4,057
Outlays		2,632,200	128,978	2,651,856	129,941
Other Procurement, Air Force (07-15- 3080 -X-1-051-A; 57-3080)	1985				
Budget Authority		8,551,031	419,001	8,551,031	419,001
Unobligated Balances		2,406,177	117,903	2,406,177	117,903
Unobligated Balances Available for Transfer		0	0	347,478	17,026
Outlays		5,226,028	256,075	5,391,756	264,196
Defense Agencies					
Procurement, Defense Agencies (07-15-0300 -X-1-051-A; 97-0300)	1983				
Budget Authority		1,302,740	63,834	1,302,740	63,834
Unobligated Balances		404,402	19,816	404,402	19,816
Unobligated Balances Available for Transfer		0	0	36,000	1,764
Outlays		437,288	21,427	446,509	21,879

Table A- 1: Revised Defense Budget Accounts (continued)
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO		GAO	
		Base	Sequester	Base	Sequester
Research, Development, Test and Evaluation, Defense Agencies (07-20-0400 -X-1-051-A; 97-0400)	1985				
Budget Authority		6,637,386	325,232	6,637,386	325,232
Unobligated Balances		365,062	17,888	365,062	17,888
Unobligated Balances Available for Transfer		0	0	**82,000**	**4,018**
Outlays		3,236,393	158,583	**3,274,292**	**160,440**
Department of the Navy					
Research, Development, Test and Evaluation, Navy (07-20-1319 -X-1-051-A; 17-1319)	1985				
Budget Authority		10,065,239	493,197	10,065,239	493,197
Unobligated Balances		423,653	20,759	423,653	20,759
Unobligated Balances Available for Transfer		0	0	**188,000**	**9,212**
Outlays		5,374,962	263,373	**5,471,301**	**268,094**
Department of the Army					
Research, Development, Test and Evaluation, Army (07-20-2040 -X-1-051-A; 21-2040)	1985				
Budget Authority		4,798,172	235,110	4,798,172	235,110
Unobligated Balances		387,169	18,971	387,169	18,971
Unobligated Balances Available for Transfer		0	0	**96,130**	**4,710**
Outlays		2,657,516	130,218	**2,706,783**	**132,632**

Table A- 1: Revised Defense Budget Accounts (continued)
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Department of the Air Force					
Research, Development, Test and Evaluation, Air Force (07-20-3600-X-1051-A;57-3600	1985				
Budget Authority		13,718,208	672,192	13,718,208	672,192
Unobligated Balances		1,484,651	72,748	1,484,651	72,748
Unobligated Balances Available for Transfer		0	0	264,000	12,936
Outlays		7,373,325	361,293	7,501,364	367,567

Unobligated Balances Available for Transfer - PPA Listing

Additions and changes are also required in the defense PPA listing to reflect the addition of the $6.3 billion in unobligated balances available for transfer to the sequesterable base. Items in Table A-2 represent new lines which are added to the PPA listing at the indicated point. Each entry identifies the page in the Federal Register and the account where the new line is inserted.

Table A-2: Required Changes in Defense Program, Project and Activity Listing
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	Fiscal Year	Unoblig. Bal. Avail. for Transfer	Sequester	Outlay Reduction
Department of the Navy					
Aircraft Procurement, Navy (07-15-1506 -X-1-051-A; 17-1506)	2122	1984	60,800	2,979	265
		1985	490,500	24,035	2,139
Subtotal			551,300	27,014	2,404
Weapons Procurement, Navy (07-15-1507 -X-1-051-A; 17-1507)	2125	1985	15,000	735	79
Shipbuilding and Conversion, Navy (07-15-1611 -X-1-051-A; 17-1611)	2127,	1982	391,600	19,188	1,196
	2129	1983	691,300	33,874	2,111
		1984	398,600	19,531	1,217
		1985	517,800	25,372	1,582
Subtotal			1,999,300	97,965	6,106
Other Procurement, Navy (07-15-1810 -X-1-051-A; 17-1810)	2145	1984	75,790	3,714	399
		1985	200,693	9,834	1,057
Subtotal			276,483	13,548	1,456
Procurement, Marine Corps (07-15-1109-X-1-051-A; 17-1109)	2148	1985	47,717	2,338	225
Department of the Army					
Aircraft Procurement, Army (07-15-2031 -X-1-051-A; 21-2031)	2094	1985	117,900	5,777	867
Missile Procurement, Army (07-15-2032-X-1-051-A; 21-2032)	2095	1984	10,100	495	36
		1985	56,400	2,764	201
Subtotal			66,500	3,259	237

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Table A-2: Required Changes in Defense Program, Project and Activity Listing (continued)
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	Fiscal Year	Unoblig. Bal. Avail. for Transfer	Sequester	Outlay Reduction
Other Procurement,Army					
(07-15-2035 -X-1-051-A; 21,2035)	2118	1984	81,000	3,969	317
		1985	176,500	8,649	692
Subtotal			257,500	12,618	1,009
Procurement of Weapons and Tracked Combat Vehicles, Army					
(07-15-2033 -X-1-051-A; 21-2033)	2097	1984	336,500	16,489	736
		1985	253,800	12,436	555
Subtotal			590,300	28,925	1,291
Procurement of Ammunition, Army					
(07-15-2034 -X-1-051-A; 21-2034)	2101	1984	30,400	1,490	402
		1985	147,700	7,237	1,955
Subtotal			178,100	8,727	2,357
Department of the Air Force					
Aircraft Procurement,Air Force					
(07-15-3010 -X-1-051-A; 57-3010)	2151	1984	246,400	12,074	829
		1985	864,000	42,336	2,906
Subtotal			1,110,400	54,410	3,735
Missile Procurement, Air Force					
(07-15-3020 -X-1-051-A; 57-3020)	2154	1984	29,400	1,441	342
		1985	53,400	2,617	621
Subtotal			82,800	4,058	963
Other Procurement, Air Force					
(07-15-3080 -X-1-051-A; 57-3080)	2168	1984	94,127	4,612	2,200
		1985	253,349	12,414	5,921
Subtotal			347,476	17,026	8,121

Table A-2: Required Changes in Defense Program, Project and Activity Listing (continued)
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	Fiscal Year	Unoblig. Bal. Avail. for Transfer	Sequester	Outlay Reduction
Defense Agencies					
Procurement, Defense Agencies (07-15.0300 -X-1-051-A; 97-0300)	2170	1984	15,000	735	188
		1985	21,000	1,029	264
Subtotal			36,000	1,764	452
Research, Development,Test and Evaluation, Defense Agencies (07-20-0400-X-1-051-A; 97-0400)	2220	1985	82,000	4,018	1,857
Department of the Navy					
Research, Development,Test and Evaluation, Navy (07-20-1319-X-1-051-A; 17-1319)	2189	1985	188,000	9,212	4,721
Department of the Army					
Research, Development,Test and Evaluation, Army (07-20-2040-X-1-051-A; 21-2040)	2176	1985	96,130	4,710	2,414
Department of the Air Force					
Research, Development,Test and Evaluation, Air Force (07-20-3600-X-1-051-A; 57-3600)	2206	1985	264,000	12,936	6,274

Omitted Pages from OMB/CBO Report

Three pages were omitted from the OMB/CBO report to the Comptroller General and the Federal Register publication of that report. The missing pages should have been included after page 2145 of the report as published in the Federal Register and are set out in the following three pages of this report.

Table A-3: Omitted Pages from OMB/CBO Report

DEPARTMENT OF THE NAVY
GRAMM/RUDMAN/HOLLINGS REDUCTION

APPROPRIATION: 1109N Procurement Marine Corps (Rate of Reduction*: 4.9%)

Title	FY 1984 Base	FY 1984 Reduction	FY 1985 Base	FY 1985 Reduction	Subtotal 1984/1985 Reduction	FY 1986 Base	FY 1986 Reduction	Total Reduction	Outlays
					THOUSANDS OF DOLLARS				
LINEAR CHARGES, ALL TYPES	0	0	0	0	0	3,194	- 181	- 181	- 17
SMALL ARMS AMO, ALL TYPES	21	- 1	1	- 0	- 1	9,648	- 548	- 549	- 53
MACHINE GUN AMMO, ALL TYPES	0	0	47	- 2	- 2	34,932	- 1,984	- 1,986	- 191
MORTAR AMMO, ALL TYPES	0	0	93	- 5	- 5	33,289	- 1,891	- 1,896	- 182
GRENADES, ALL TYPES	0	0	0	0	0	2,202	- 125	- 125	- 12
ROCKETS, ALL TYPES	0	0	0	0	0	57,240	- 3,251	- 3,251	- 313
TRAINING AMMO, ALL TYPES	0	0	0	0	0	28,967	- 1,645	- 1,645	- 158
155MM AMMO, ALL TYPES 2/	6	- 0	0	0	0	239,600	-11,740	-11,740	-1,130
155MM PROJ COPPERHEAD	0	0	20	- 1	- 1	52,100	- 2,959	- 2,960	- 285
8 INCH AMMO, ALL TYPES	0	0	0	0	0	11,238	- 638	- 638	- 61
FUZES, ALL TYPES	0	0	422	- 21	- 21	31,259	- 1,775	- 1,796	- 173
AMMO MOD	661	- 32	7,107	- 348	- 380	5,718	- 325	- 705	- 68
ITEMS LESS THAN $900K	366	- 18	1,351	- 66	- 84	4,507	- 256	- 340	- 33
LVT7 WPN SYSTEM	6,976	- 342	204	- 10	- 352	0	0	- 352	- 34
LVT7 SERVICE LIFE EXT PROG	7,857	- 386	14,926	- 731	- 1,117	0	0	- 1,117	- 107
LIGHT ARMORED VEHICLE	32,219	- 1,581	46,944	- 2,299	- 3,880	0	0	- 3,880	- 373
SPARES AND REPAIR PARTS	3,189	- 156	3,626	- 178	- 334	0	0	- 334	- 32
MODIFICATION KITS (TRKD VEH)	2,561	- 126	516	- 25	- 151	1,093	- 62	- 213	- 20
M60 MINE PLOW	0	0	321	- 16	- 16	0	0	- 16	- 2
RECOVERY VEHICLE M88	0	0	0	0	0	4,544	- 258	- 258	- 25
BRIDGE, ARMORED VEH LAUNCHED	0	0	0	0	0	8,640	- 491	- 491	- 47
ITEMS LESS THAN $900K (TRKD VEH)	0	0	36	- 2	- 2	1,479	- 84	- 86	- 8
POS AZIMUTH DETERM SYS (PADS)	0	0	0	0	0	26,345	- 1,496	- 1,496	- 144
M198 155MM HOWITZER 2/	0	0	0	0	0	28,000	-1,372	-1,372	-132
SPARES AND REPAIR PARTS	38	- 2	197	- 10	- 12	0	0	- 12	- 1
ITEMS LESS THAN $900K (ATL-OTH)	75	- 4	963	- 47	- 51	1,869	- 106	- 157	- 15
M2 MACHINE GUN, CAL. 50	125	- 6	0	0	- 6	0	0	- 6	- 1
9MM HANDGUN	0	0	0	0	0	2,970	- 169	- 169	- 16

*Actual rate applied to all PPAs not exempt/limited: FY 1986, 5.7%
1/ Exempted from sequester
2/ Congressional Add 10% or greater. Reduction will be 4.9%

Table A-3: Omitted Pages from OMB/CBO Report

DEPARTMENT OF THE NAVY
GRAMM/RUDMAN/HOLLINGS REDUCTION

APPROPRIATION: 1109N Procurement Marine Corps (Rate of Reduction*: 4.9%)

Title	FY 1984 Base	FY 1984 Reduction	FY 1985 Base	FY 1985 Reduction	Subtotal 1984/1985 Reduction	FY 1986 Base	FY 1986 Reduction	Total Reduction	Outlays
	THOUSANDS OF DOLLARS								
ORD VEH SUP EQ	0	0	507	- 25	- 25	0	0	- 25	- 2
MACHINE GUN, AUTO SAW 5.56MM	0	0	0	0	0	0	0	0	0
M-16 5.56MM RIFLE	670	- 33	0	0	- 33	14,093	- 800	- 833	- 80
MK-19 40MM MACHINE GUN	0	0	1,337	- 65	- 65	1,000	- 57	- 122	- 12
EOD EQUIPMENT	178	- 9	97	- 5	- 14	717	- 41	- 55	- 5
MORTAR, MED, EXTENDED RANGE	0	0	0	0	0	0	0	0	0
SMAW 81MM ROCKET	295	- 14	27	- 1	- 15	4,676	- 266	- 281	- 27
HAWK	0	0	35	- 2	- 2	139,976	- 7,950	- 7,952	- 765
HAWK MOD	0	0	30	- 1	- 1	39,098	- 2,221	- 2,222	- 214
STINGER	0	0	0	0	0	59,397	- 3,373	- 3,373	- 324
TOW	1,467	- 72	0	0	- 72	39,505	- 2,244	- 2,316	- 223
SPARES AND REPAIR PARTS	138	- 7	6,580	- 322	- 329	0	0	- 329	- 32
MODIFICATION KITS	0	0	0	0	0	712	- 40	- 40	- 4
MANPACK RADIOS AND EQUIP	3,330	- 163	548	- 27	- 190	12,656	- 719	- 909	- 87
VEHICLE MTD RADIOS & EQUIPMENT	372	- 18	5,492	- 269	- 287	10,592	- 602	- 889	- 85
UNIT LEVEL CIRCUIT SWITCH (ULCS)	0	0	7,395	- 362	- 362	12,600	- 716	- 1,078	- 104
ULCS LIFE CYCLE SUPPORT	0	0	0	0	0	15,361	- 872	- 872	- 84
TACT COMM CENTER EQUIP	0	0	1,540	- 75	- 75	3,970	- 225	- 300	- 29
SB-3614(V)TT AUTO TEL SWITCHBOARD	0	0	878	- 43	- 43	0	0	- 43	- 4
AN/UGC-74A DATA COMM TERMINAL	1,313	- 64	0	0	- 64	0	0	- 64	- 6
AN/PSG( ) DIGITAL COMM TERMINAL	5,287	- 259	3,019	- 148	- 407	0	0	- 407	- 39
AN/USM-323 GEN SGNL, ELECTRONIC	0	0	1,018	- 50	- 50	5,580	- 317	- 367	- 35
AUTO TEST EQUIP SYS	0	0	3,464	- 170	- 170	5,186	- 295	- 465	- 45
SHOP SET ELECTRONIC	0	0	0	0	0	5,306	- 301	- 301	- 29
ELECTRONIC TEST EQUIP (TEL)	4,312	- 212	7,188	- 352	- 564	1,000	- 57	- 621	- 60
PP-7333 POWER SUPPLY	0	0	0	0	0	3,813	- 217	- 217	- 21
AN/TRQ-36(V)TACTICAL FREQ MANAGEMENT	0	0	351	- 17	- 17	0	0	- 17	- 2
TACT FACSIMILE SET AN/GXC-7	0	0	21	- 1	- 1	6,725	- 382	- 383	- 37

*Actual rate applied to all PPAs not exempt/limited: FY 1986, 5.7%
1/ Exempted from sequester
2/ Congressional Add 10% or greater. Reduction will be 4.9%.

Table A-3: Omitted Pages from OMB/CBO Report

DEPARTMENT OF THE NAVY
GRAMM/RUDMAN/HOLLINGS REDUCTION

APPROPRIATION: 1109N Procurement Marine Corps (Rate of Reduction*: 4.9%)

THOUSANDS OF DOLLARS

Title	FY 1984 Base	FY 1984 Reduction	FY 1985 Base	FY 1985 Reduction	Subtotal 1984/1985 Reduction	FY 1986 Base	FY 1986 Reduction	Total Reduction	Outlays
ANDVT/TACTERM	0	0	0	0	0	1,513	- 86	- 86	- 8
TIME DIVERSITY MODEM MX-() (TL)	0	0	2,151	- 105	- 105	0	0	- 105	- 10
TEST CALIB + MAINT SPT	580	- 28	1,217	- 60	- 88	1,000	- 57	- 145	- 14
SPARES AND REP PARTS(TEL)	2,742	- 135	14,040	- 687	- 822	0	0	- 822	- 79
INITIAL SPARES (TEL)	0	0	0	0	0	0	0	0	0
MODIFICATION KITS (TEL)	6,091	- 299	5,852	- 287	- 586	3,600	- 204	- 790	- 76
ITEMS LESS THAN $900K (TEL)	684	- 34	3,110	- 152	- 186	927	- 53	- 239	- 23
POS LOCATING RPTG SYSTEM (PLRS)	11,235	- 551	8,498	- 416	- 967	51,484	- 2,924	- 3,891	- 374
TACTICAL AIR OPER MODULE (TAOM)	0	0	0	0	0	75,300	- 4,277	- 4,277	- 411
AN/TPS-59 DECOY	0	0	10,403	- 509	- 509	6,109	- 347	- 856	- 82
AN/PPN-19 RADAR TRANSPONDER	0	0	5,518	- 270	- 270	13,129	- 746	- 1,016	- 98
REMOTE SENSOR EQUIPMENT	0	0	0	0	0	691	- 39	- 39	- 4
AN/TPB-1D RADAR BOMB DIRECTING SET	1,471	- 72	0	0	- 72	0	0	- 72	- 7
AUTOMATIC ATMOSPHERIC SNOG SET	2,259	- 111	7,745	- 379	- 490	0	0	- 490	- 47
AIRBORNE RADIO DIRECTION FINDER	0	0	0	0	0	0	0	0	0
METEORLOGICAL DATA SYSTEM	0	0	0	0	0	13,338	- 758	- 758	- 73
ELECTRONIC TEST EQUIP (NONTEL)	5,463	- 268	8,452	- 414	- 682	1,000	- 57	- 739	- 71
MECH TEST MOD	0	0	2,545	- 125	- 125	0	0	- 125	- 12
PP-7286 BATTERY CHARGER	1,638	- 80	806	- 39	- 119	0	0	- 119	- 11
MOD UNIV LASER EQUIP (MULE)	6,119	- 300	4,033	- 197	- 497	0	0	- 497	- 48
NIGHT VISION EQUIPMENT	2,766	- 136	8,226	- 403	- 539	10,473	- 595	- 1,134	- 109
PROD ENHANCEMENT	0	0	8,588	- 421	- 421	516	- 29	- 450	- 43
ADP EQUIPMENT	1,072	- 53	5,548	- 272	- 325	15,016	- 853	- 1,178	- 113
TEST CALIB & MAINT SPT (NON-TEL	418	- 21	1,022	- 50	- 71	1,582	- 90	- 161	- 15
SPARES AND REPAIR PARTS	1,293	- 63	11,913	- 583	- 646	0	0	- 646	- 62
MODIFICATION KITS (NONTEL)	10,478	- 514	7,195	- 352	- 866	8,433	- 479	- 1,345	- 129
ITEMS LESS THAN $900K (NONTEL)	306	- 15	468	- 23	- 38	388	- 22	- 60	- 6

*Actual rate applied to all PPAs not exempt/limited: FY 1986, 5.7%
1/ Exempted from sequester
2/ Congressional Add 10% or greater. Reduction will be 4.9%.

Part II-Non-Defense Programs

The changes listed below are required with respect to the items and amounts shown for non-defense programs for fiscal year 1986 in the OMB/CBO report Page numbers refer to the report as published in the Federal Register on January 15,1986. In the tables, items which are changed are indicated in bold type.

House of Representatives
Restaurant Fund (Revolving Fund)

The OMB/CBO report included the Restaurant Fund in the listing of accounts subject to sequester. We have deleted the fund from that listing. The fund does not receive appropriations in annual Legislative Branch Appropriation Acts and does not have a designated budget account identification code number in the appendix to the President's budget. Therefore it is not an account subject to sequester under the Act.

Inclusion of Unobligated Balances In the Sequesterable Base

In a number of accounts, both OMB and CBO have included within the sequesterable base administrative expenses financed by prior year unobligated balances. We have deleted these amounts from the sequesterable base and from the amounts to be sequestered, as shown in Table A-4.

Section 256(b) of the Act states that administrative expenses of federal departments and agencies (including independent agencies) are subject to sequestration "without regard to any exemption, exception, limitation, or special rule" otherwise applicable.

We do not consider section 256(b) to expand the categories of obligational authority subject to reduction under a Presidential sequestration order. These categories are clearly delineated in the Act. For non-defense accounts, they are: new budget authority, new loan guarantee commitments, new direct loan obligations, obligation limitations, and spending authority. Unobligated balances are not subject to sequestration in non-defense accounts.

Table A- 4: Unobligated Amounts For Administrative Expenses
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Funds Appropriated to the President					
Agency for International Development					
Housing and Other Credit Guaranty Programs (04-14-4340 -X-3-151-A; 72-4340)	1960				
Budget Authority		0	0	0	0
Guaranteed Loan Limitation		152,000	6,536	152,000	6,536
Unobligated Balances - Admin.		6,048	260	0	0
Outlays		4,536	195	0	0
Overseas Private Investment Corporation					
Overseas Private Investment Corporation (04-20-4030 -X-3-151-A; 71-4030)	1961				
Direct Loan Limitation		14,250	613	14,250	613
Guaranteed Loan Limitation		142,500	6,128	142,500	6,128
Unobligated Balances - Admin.		12,400	533	0	0
Outlays		14,630	629	2,850	123
Department of Commerce					
General Administration					
Salaries and Expenses (06-05-0120 -X-1-376-A; 13-0120)	1976				
Budget Authority		32,300	1,389	32,300	1,389
Unobligated Balances - Admin.		4,622	199	0	0
Outlays		35,579	1,530	30,957	1,331

Table A- 4: Unobligated Amounts For Administrative Expenses
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Department of Commerce					
National Oceanic and Atmospheric Administration					
Federal Ship Financing Fund, Fishing Vessels (06-48-4417 -X-3-376-A; 13-4417)	1979				
Guaranteed Loan Limitation		35,000	1,505	35,000	1,505
Unobligated Balances - Admin.		1,261	54	**0**	**0**
Outlays		1,261	54	**0**	**0**
Fishing Vessel and Gear Damage Compensation Fund (06-48-5119 -X-2-376-A 13-5119)	1979				
Budget Authority		0	0	0	0
Unobligated Balances - Admin.		237	10	**0**	**0**
Outlays		237	10	**0**	**0**
Fishermen's Contingency Fund (06-48-5120 -X-2-376-A; 13-5120)	1979				
Budget Authority		750	32	750	32
Unobligated Balances - Admin.		60	3	**0**	**0**
Outlays		649	28	**589**	**25**
Department of Defense-Civil					
Corps of Engineers- Civil					
General Expenses (08-10-3124 -X-1-301-A; 96-3124)	1989				
Budget Authority		107,000	4,601	107,000	4,601
Unobligated Balances - Admin.		3,377	145	**0**	**0**
Outlays		92,362	3,972	**88,985**	**3,826**

Table A- 4: Unobligated Amounts For Administrative Expenses
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Department of Education					
Office of Postsecondary Education					
College Housing Loans (18-40-4250 -X-3-502-A; 91-4250)	1993				
Direct Loan Limitation		60,000	2,580	60,000	2,580
Unobligated Balances - Admin.		4,097	176	0	0
Outlays		1,192	51	0	0
Department of Energy					
Energy Production					
Alternative Fuels Production (19-20-5180 -X-2-271-A; 89-5180)	1996				
Unobligated Balances - Admin.		202	9	0	0
Outlays		202	9	0	0
Power Marketing Administration					
Operation and Maintenance Southeastern Power Admin. (19-50-0302 -X-1-271-A; 89-0302)	1996				
Unobligated Balances - Admin.		1,033	44	0	0
Outlays		909	39	0	0
Environmental Protection Agency					
Hazardous Sub. Resp. Trust Fund (20-00-8145 -X-7-304-A; 20-8145)	2043				
Budget Authority		900,000	38,700	900,000	38,700
401(C) Authority - Off. Coll.		9,261	398	9,261	398
Unobligated Balances - Admin.		39,458	1,697	0	0
Outlays		210,428	9,048	176,511	7,590

Table A- 4: Unobligated Amounts For Administrative Expenses
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Department of Housing and Urban Development					
Government National Mortgage Association					
Management and Liquidating Functions Fund (25-04-4016 -X-3-371-A; 86-4016)	2007				
401(C) Authority - Off. Coll.		0	0	0	0
Unobligated Balances - Admin.		1,047	45	0	0
Outlays		1,047	45	0	0
Rehabilitation Loan Fund (25-4036 -X-3-451-A; 86-4036)	2009				
Direct Loan Limitation		85,000	3,655	85,000	3,655
Unobligated Balances - Admin.		19,700	847	0	0
Outlays		75,700	3,255	56,000	2,408
Department of Health and Human Services					
Social Security Administration					
Child Support Enforcement (09-60-0430 -X-1-609-A; 75-0430)	2004				
Budget Authority		610,419	26,248	610,419	26,248
401(C) Authority - Off. Coll.		61	3	61	3
Unobligated Balances - Admin.		1,176	51	0	0
Outlays		604,424	25,990	603,248	25,940

Table A- 4: Unobligated Amounts For Administrative Expenses
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO		GAO	
		Base	Sequester	Base	Sequester
Department of Health and Human Services					
Social Security Administration					
Federal Old-age and Survivors Insurance Trust Fund (09-60-8006 -X-7-571-A; 20-8006)	2004				
Obligation Limitation		1,956,770	84,141	1,835,482	78,926
Outlays		1,544,467	66,412	1,504,467	64,692
Department of Justice					
Office of Justice Programs					
Justice Assistance (11-21-0401 -X-1-754-A; 15-0401)	2022				
Budget Authority		203,982	8,771	203,982	8,771
Unobligated Balances - Admin.		3,443	148	0	0
Outlays		75,971	3,267	75,528	3,119
Department of Treasury					
Financial Management Service					
Energy Security Reserve (15-10-0112 -X-1-271-A; 20-0112)	2038				
Unobligated Balances - Admin.		3,000	129	0	0
Outlays		3,000	129	0	0

Table A- 4: Unobligated Amounts For Administrative Expenses
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Small Business Administration					
Salaries and Expenses (28-00-0100 -X-1-376-A; 73-0100)	2051				
Budget Authority		208,800	8,978	208,000	8,978
401(C) Authority - Off. Coll.		0	0	0	0
Unobligated Balances -Admin.		90,000	3,870	0	0
Outlays		241,278	10,375	151,278	6,505
White House Conference on Small Business (28-00-0104 -X-1-376-A; 73-0104)	2051				
Budget Authority		2,700	116	2,700	116
Unobligated Balances - Admin.		956	41	0	0
Outlays		3,168	136	2,212	95
Other Independent Agencies					
Other Historical and Memorial Agencies					
Christopher Columbus Quincentennary Jubilee Commission (31-05-0800 -X-1-376-A; 31-0800)	2063				
Unobligated Balances - Admin.		199	9	0	0
Outlays		175	8	0	0

Table A- 4: Unobligated Amounts For Administrative Expenses
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Other Independent Agencies					
National Endowment for the Arts					
Grants and Administration (31-35-0100 -X-1-503-A; 59-0100)	2068				
Budget Authority		165,661	7,123	165,661	7,123
Unobligated Balances -Admin		197	8	0	0
Outlays		56,587	2,433	56,567	2,432
Railroad Retirement Board					
Milwaukee Railroad Restructuring Administration (32-20-0108 -X-1-603-A; 60-0108)	2072				
Unobligated Balances - Admin.		243	10	0	0
Outlays		43	2	0	0

Agricultural Credit Insurance Fund
Rural Housing Insurance Fund

The OMB/CBO report did not include the amounts used for administrative expenses in the sequesterable base for these accounts. We have included the administrative expenses of these accounts in the sequesterable base and determined the required sequester, as shown inTables A-5 and A-6.

Table A- 5: Farmers Home Administration
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Agricultural credit insurance fund (05-75-4140 -X-3-351-A: 12-4140)	1970				
Budget Authority		120,000	5,160	120,000	5,160
Direct Loan Limitation		3,342,000	143,706	3,342,000	143,706
Guaranteed Loan Limitation		1,956,000	84,108	1,956,000	84,108
Obligation Limitation		0	0	**75,769**	**3,258**
Outlays		2,060,000	88,580	**2,135,769**	**91,838**

Table A- 6: Farmers Home Administration
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Rural housing fund (05-75-4141 -X-3-371-A: 12-4141)	1970				
Direct Loan Limitation		2,127,600	91,487	2,127,600	91,487
Obligation Limitation		167,513	7,203	**223,513**	**9,611**
Outlays		1,145,764	49,268	**1,201,764**	**51,676**

National Bureau of Standards,
Working Capital Fund

The report of OMB and CBO does not identify any sequesterable amount for this intragovernmental fund. We have identified as sequesterable the appropriation made to the fund because the Act provides that direct appropriations to intragovernmental funds are subject to sequester. We also specified the sequester amount for this appropriation.

Table A- 7: National Bureau of Standards
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Working capital fund (06-52-4650 -X-4-376-A; 13-4650)	1980				
Budget Authority		0	0	2,102	90
Obligation Limitation		0	0	0	0
Outlays		0	0	1,577	498

Federal Subsidy for St. Elizabeths Hospital

The OMB/CBO report included a $25,000,000 payment from the District of Columbia in the amount subject to sequester in this account. We have deleted this payment from the sequesterable base because it is also subject to sequester in the District of Columbia's account for the Transitional Payment for Saint Elizabeths Hospital. In our view the payment should be treated like a payment from another federal account, and therefore exempt from the sequesterable base in this account, in order to avoid duplication of the sequester.

Table A- 8: Alcohol, Drug Abuse, & Mental Health Administration
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Federal subsidy for St. Elizabeths Hospital (09-30-1300 -X-1-1551-A; 75-1300)	2001				
Budget Authority		43,696	1,879	43,696	1,879
401(C) Authority - Off. Coll.		67,827	2,917	42,827	1,842
Outlays		111,523	4,795	86,523	3,720

Comptroller of the Currency

The OMB/CBO report identified $164.9 million as sequesterable authority in this account. We have concluded that this does not fully reflect the resources of the Comptroller of the Currency that should be considered sequesterable. Accordingly, we have increased the sequesterable total and amount of sequester.

Table A-9: Comptroller of the Currency
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Assessment fund (15-57-8413 -X-8-376-A; 20-8413)	2042				
401(C) Authority		164,903	7,091	188,818	8,119
401(C) Authority - Off. Coll.		0	0	9,382	403
Outlays		162,490	6,987	195,227	8,395

District of Columbia Appropriation Act

The OMB/CBO report combined appropriations for the District of Columbia under six different headings into one account and determined a single sequesterable base and required sequester for the account. We have placed the appropriations under the six headings in six separate accounts and determined the sequesterable base and required sequester for each because the Act defines an account as "an item for which appropriations are made in any appropriation Act." We believe the six separate headings under which appropriations are made for the District of Columbia are items which must be treated as separate accounts for purposes of the Act.

In the case of the account for the Federal Payment for the District of Columbia, most of the sequesterable base in the account has been obligated and the unobligated balance remaining is less than what would otherwise be the required sequester. Therefore, because the Act precludes sequestering obligated balances in non-defense programs, the required sequester for this account is the amount of the remaining unobligated balance.

Table A- 10: District of Columbia
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO		GAO	
		Base	Sequester	Base	Sequester
Federal payment to the District of Columbia (30-43-1700 -X-1-852-A; 20-1700)	2059				
Budget Authority		546,780	23,512	507,170	15,050
Outlays		546,780	23,512	507,170	15,050
Transitional payment for St. Elizabeth's Hospital (30-43-1700 -X-1-852-A; 20-1700)	2059				
Budget Authority		0	0	25,000	1,075
Outlays		0	0	25,000	1,075
Criminal justice initiative (30-43-1700 -X-1-852-A; 20-1700)	2059				
Budget Authority		0	0	13,860	596
Outlays		0	0	13,860	596
Student dropout prevention (30-43-1700 -X-1-852-A; 20-1700)	2059				
Budget Authority		0	0	150	6
Outlays		0	0	150	6
Job training initiative (30-43-1700 -X-1-852-A; 20-1700)	2059				
Budget Authority		0	0	500	22
Outlays		0	0	500	22
Court study (30-43-1700 -X-1-852-A; 20-1700)	2059				
Budget Authority		0	0	100	4
Outlays		0	0	100	4

Corporation for Public Broadcasting

This account was not included in the OMB/CBO report. Because the account is not otherwise exempt, we have specified budget authority and outlays subject to sequester. We have not included any amount for actual sequester, however, as the appropriation has been completely obligated and disbursed.

Table A- 11: Corporation for Public Broadcasting
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Public broadcasting (30-42-0151 -X-1-554-A; 20-0151)	2059				
Budget Authority		N/A	N/A	159,500	0
Outlays		N/A	N/A	159,500	0

Federal Deposit Insurance Corporation

The report of OMB and CBO did not fully identify the administrative amounts subject to sequestration. Our revision adds administrative amounts funded by offsetting collections from non-federal sources.

Table A- 12: Federal Deposit Insurance Corporation
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO Base	OMB/CBO Sequester	GAO Base	GAO Sequester
Federal Deposit Insurance Corporation (30-64-8419 -X-8-371-A; 51-8419)	2060				
401(c) Authority		187,118	8,046	187,118	8,046
401(C) Authority - Off. Coll.		0	0	8,158	351
Outlays		187,118	8,046	195,276	8,397

United States Customs Service, Miscellaneous Permanent Appropriations

The OMB/CBO report did not include the full amount of budget resources provided for this account. Because the account is not otherwise exempt, we have revised the amount of the sequesterable base and the amount of the sequester.

Table A- 13: United States Customs Service
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO		GAO	
		Base	Sequester	Base	Sequester
Miscellaneous permanent appropriations (15-15-9922 -X-852-A; 20-9922)	2040				
Budget Authority		0	0	105,000	4,515
Obligation Limitation		20,449	879	0	0
Outlays		20,449	879	105,000	4,226

Internal Revenue Collections For Puerto Rico

This account was not included in the OMB/CBO report. Because the account is not otherwise exempt, we have specified budget authority subject to sequester, and the amount of the sequester.

Table A- 14: Internal Revenue Service
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO		GAO	
		Base	Sequester	Base	Sequester
Internal revenue collections for Puerto Rico (15-45-5737 -X-2-852-A; 20-5737)	2040				
Budget Authority		0	0	245,000	10,535
Outlays		0	0	245,000	10,535

Washington Metropolitan Area Transit Authority

According to the OMB/CBO report, the two directors were unable to resolve a conceptual issue regarding the federal payment of interest on federally guaranteed bonds issued by the Washington Metropolitan Area Transit Authority (WMATA). CBO takes the position that the WMATA payment is exempt from sequestration because it is already obligated under an existing contract authorized by law and fully funded by an appropriation act. CBO also considers the payment to be exempt because the government's bond guarantee obligation may be enforced through court action, a judgment from which would be exempt from sequestration under the Act. OMB, while agreeing that obligated balances are exempt from sequestration, does not consider the WMATA account to be exempt because payment is contingent upon the availability of appropriations and because all of the fiscal year 1986 payment has not been obligated. In our view, the entire federal interest payment to WMATA is obligated. Therefore, while the program is in the sequesterable base, it is not subject to sequester.

Section 256(l) of the Act provides that "obligated balances" (with certain exceptions relating to existing defense contracts) shall not be subject to reduction under a sequestration order of the President. OMB's regulations describe the term "obligated balances" as representing "net unpaid obligations that will result ultimately in budget outlays of the account being reported." "Obligations" reflect the amount of "orders placed, contracts awarded, services received, and similar transactions that will require payment."

The decisions of the Comptroller General make it clear that an obligation of funds arises from the establishment of a legal commitment to pay, whether by contract or by operation of law. The obligation takes place at the time of the legal commitment itself, even though actual payment may not be required until some time in the future. This is true regardless of whether the obligation is formally recorded.

In the present case, the Secretary of Transportation, in accordance with specific authority provided by the National Capital Transportation Amendments of 1979 (Public Law 96-184), has entered into a formal agreement with WMATA to pay two-thirds of the aggregate interest, principal, and other debt service costs of bonds issued by WMATA. The agreement specifies that the federal payment is to be made in accordance with schedules and in amounts set out in the agreement. The agreement further provides that the "financial obligations" of the United States are conditional on compliance with the Antideficiency Act (31 U.S.C. 1341).

The condition to which the government's contractual obligation is subject has been met. Included in the Department of Transportation and Related Agencies Appropriations Act, 1986, is an appropriation of $51,663,569 to WMATA for "necessary expenses for interest payments," to be disbursed pursuant to the 1979 legislation and the agreement. Regardless of whether the obligation has been recorded in the account, the government's legal obligation under the agreement was established as of the time of the appropriation.

Table A- 15: Washington Metropolitan Area Transit Authority
(in thousands of dollars)

Account Title, Category	Federal Register Page No.	OMB/CBO		GAO	
		Base	Sequester	Base	Sequester
Interest Payments (31-14-0300 -X-1-401-A; 46-0300)	2040				
Budget Authority		25,832	1,111	51,664	0
Outlays		25,832	1,111	51,664	0

Appendix B

Economic Assumptions

GAO's Responsibility

The Balanced Budget and Emergency Deficit Control Act of 1985 requires that the Comptroller General report his estimate of real economic growth for the fiscal year, for each quarter within the fiscal year, and for the two quarters preceding the fiscal year.

GAO estimates real economic growth in the second and third quarters of calendar 1985 (the two quarters immediately preceding fiscal year 1986) to have been 1.1 percent and 3.0 percent respectively. GAO estimates real growth in the fourth quarter of calendar 1985, (the first quarter of fiscal year 1986) to have been 3.2 percent. Each of these estimates represents the most recent estimate released by the Department of Commerce.

GAO estimates that real growth in each of the first three calendar quarters of 1986 (the last three quarters of fiscal 1986) will fall within a range, the midpoint of which is 3.0 percent, and that real growth for fiscal 1986 as a whole will fall within a range, of which 2.85 percent is the midpoint. GAO does not expect two consecutive quarters of negative real growth.

GAO analyzed current economic conditions and reviewed current estimates of future trends. On the basis of this analysis, GAO concluded that no set of economic assumptions that might have been adopted for estimating the budget deficit would have resulted in a deficit of less than $191.9 billion--the smallest deficit estimate necessary to trigger the maximum possible sequester this year. Since using our own economic assumptions would not have affected either the aggregate amount needed to be sequestered or the distribution of sequesters in fiscal year 1986, GAO did not develop an independent economic forecast.

The Act requires the Comptroller General to develop his estimates with due regard for the data, assumptions, and methodologies used in reaching the conclusions set forth in the report submitted by OMB and CBO. Although we did not develop our own set of assumptions for this report, we did review the assumptions reported by OMB and CBO. These assumptions are shown in Table B-1.

In our review, we first examined how the accuracy of economic forecasts made by OMB and CBO in the recent past compared with the accuracy of forecasts made at similar times by private sector forecasters. Then we compared current private sector forecasts with the current OMB and CBO forecasts. The remainder of this appendix discusses these two comparisons and our conclusion about the reasonable range for estimates of real growth during fiscal year 1986.

Table B-1: Economic Assumptions Reported by OMB and CBO Fiscal Year 1986

Economic Variable	OMB Assumption	CBO Assumption
Nominal GNP (billions of current dollars)	4209	4192
Nominal GNP Growth (percent change, year over year)	6.9	6.5
Real GNP (billions of 1982 dollars)	3675	3658
Real GNP Growth (percent change, year over year)	3.5	3.0
Quarterly Real GNP Growth (percent change, annual rate)		
April-June, 1985	1.1	1.1
July-September, 1985	3.0	3.0
October-December, 1985	4.2	3.2
January-March, 1986	4.0	3.5
April-June, 1986	4.0	3.3
July-September, 1986	4.0	3.4
GNP Implicit Price Deflator (percent change, year over year)	3.3	3.4
CPI-W (percent change, year over year)	3.3	3.3
Civilian Unemployment Rate (percent, fiscal year average)	6.9	6.9
Three-Month Treasury Bill Rate (percent, fiscal year average)	7.3	6.9
Ten Year Treasury Note Rate (percent, fiscal year average)	9.2	9.2

Sources: Office of Management and Budget, Congressional Budget Office

Historical Analysis

GAO reviewed past forecasts to assess relative accuracy and to seek evidence of a systematic tendency either to over predict or under predict certain key economic indicators. Data in Table B-2 show the actual behavior of these indicators and the difference between the actual value and the value forecasted by OMB, CBO, and several private sector forecasters. The private sector forecasts include those released by three individual organizations and two surveys that provide measures of the consensus of the forecasts of a larger number of individual forecasters.[1]

Table B-2 shows the prediction errors of these forecasts for the past 6 years. A positive number indicates that the value that had been forecast exceeded the actual value. The "mean error" is the simple average of the errors in each of the 6 years. The "root mean square error" is a measure of the accuracy of the forecast without regard to whether errors were positive or negative. The OMB and CBO forecasts are those released in January or early February when the President submits his budget to the Congress. The private sector forecasts are the forecasts released in January of each year (or the most recent one available in January). All comparisons focus on the accuracy of the forecast of the upcoming calendar year only.

Our analysis of the data in Table B-2 suggests several conclusions:

1. Neither OMB nor CBO has been substantially less accurate than the private sector forecasters in forecasting the upcoming year and neither has had a greater tendency to over predict or under predict than have the private sector sources. For any particular variable, mean errors of the OMB and CBO forecasts tend to be of the same sign, and both mean errors and root mean square errors tend to be of similar magnitudes, to the corresponding measure of private sector accuracy.

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[1]The three private firms are Chase Econometrics, Inc., Data Resources, Inc., and Wharton Econometric Forecasting Associates; each produces forecasts that are used widely in business and government. The two surveys present the consensus of a broad range of informed opinion about the future course of the economy. The American Statistical Association and the National Bureau of Economic Research (ASA/NBER) jointly sponsor a survey of 25 economic forecasters in industry, finance, consulting firms, and universities. The Blue Chip Economic Indicators' survey includes about 50 economists from similar backgrounds in its panel. The results reported represent the median of the forecasts surveyed by ASA/NBER and the mean of the forecasts surveyed by Blue Chip.

Table B-2: History of Forecast Errors, 1980-85 (Predicted Less Actual, Percentage Points)

Nominal GNP Growth	1980	1981	1982	1983	1984	1985[a]	Mn.[b] Error	RMS[c] Error
Actual	8.8	12.4	3.8	7.7	10.8	6.1		
Differences:								
OMB	-0.5	-1.0	4.3	-1.0	-0.7	1.7	0.5	2.0
CBO	-0.9	-0.6	3.7	-0.9	-0.5	1.2	0.3	1.7
Chase	-1.5	-1.0	3.6	-0.6	-0.9	1.6	0.2	1.8
DRI	-0.7	-1.8	3.4	-0.7	-1.1	0	-0.2	1.7
Wharton	0.1	-0.5	4.3	0	0	1.7	0.9	1.9
ASA/NBER	-1.6	-1.6	4.6	0.1	-0.6	1.7	0.4	2.2
Blue Chip	-0.8	-2.0	4.3	0.1	-0.7	1.4	0.4	2.1
Real GNP Growth								
Actual	-0.3	2.5	-2.1	3.7	6.8	2.5		
Differences:								
OMB	-0.3	-1.6	2.3	-2.3	-1.5	1.4	-0.3	1.7
CBO	-0.6	-1.2	2.0	-1.6	-1.4	1.0	-0.3	1.4
Chase	-0.9	-1.5	1.8	-1.6	-1.7	0.9	-0.5	1.4
DRI	-1.1	-2.4	1.6	-2.1	-1.5	0	-0.9	1.6
Wharton	-0.3	-0.9	1.8	-1.3	-1.2	1.3	-0.1	1.2
ASA/NBER	-1.0	-1.3	2.6	-1.3	-1.6	0.9	-0.3	1.6
Blue Chip	-0.7	-1.8	2.4	-1.2	-1.5	0.8	-0.3	1.5

Table B-2 (continued)

Inflation - GNP Deflator	1980	1981	1982	1983	1984	1985[a]	Mn.[b] Error	RMS[c] Error
Actual	9.2	9.6	6.0	3.8	3.8	3.5		
Differences:								
OMB	-0.3	0.9	1.9	1.4	0.7	0.3	0.8	1.1
CBO	-0.4	0.7	1.5	0.8	0.9	0.1	0.6	0.9
Chase	-0.6	0.7	1.7	1.2	0.8	0.6	0.7	1.0
DRI	0.4	0.8	1.7	1.5	0.4	0	0.8	1.0
Wharton	0.4	0.5	2.5	1.4	1.1	0.4	1.0	1.3
ASA/NBER	-0.4	-0.1	1.9	1.5	1	0.8	0.8	1.1
Blue Chip	-0.1	0	1.7	1.3	0.9	0.6	0.7	1.0
Unemployment Rate (Civilian)								
Actual	7.1	7.6	9.7	9.6	7.5	7.2		
Differences:								
OMB[d]	-0.1	0.2	-0.8	1.3	0.4	-0.1	0.1	0.6
CBO	-0.1	0.2	-0.8	1.0	0.3	-0.1	0.1	0.5
Chase	0.1	0.5	-0.6	1.3	0.3	-0.1	0.3	0.6
DRI	0.1	0.3	-0.8	1.1	0.5	0.3	0.2	0.6
Wharton	0	0	-0.9	0.9	0.6	-0.3	0.1	0.6
ASA/NBER	0.2	0.1	-1.5	0.1	0.8	0	-0.1	0.7
Blue Chip	0.3	0.3	-1.1	0.7	0.5	0	0.1	0.6

Table B-2 (continued)

Three-month Bill Rate	1980	1981	1982	1983	1984	1985	Mn.[b] Error	RMS[c] Error
Actual	11.5	14.0	10.7	8.6	9.6	7.5		
Differences:								
OMB	-1.0	-0.5	1.0	-0.6	-1.1	0.6	-0.3	0.8
CBO	-1.5	-1.5	1.3	-1.8	-0.7	0.8	-0.6	1.3
Chase	-0.8	-0.7	1.3	-1.6	-0.7	1.3	-0.2	1.1
DRI	-1.4	-1.1	0.2	-0.7	-1.0	-0.1	-0.7	0.9
Wharton	-1.2	-0.8	1.2	-1.2	-0.6	0.9	-0.3	1.0
ASA/NBER	na	na	0.8	-0.5	-0.8	2.0		
Blue Chip	na	na	0.1	-0.9	-0.8	1.1		

Note: (-) indicates underprediction
na indicates data not available

[a] 1985 actual growth rates in nominal GNP, real GNP, and GNP deflator based on December 20 "flash" estimate.
[b] Simple average of errors.
[c] Root mean square average of errors.
[d] OMB forecast the total unemployment rate for 1983-85. The difference between the actual civilian and total unemployment rates was added to OMB's forecasted value to make it comparable with the other forecasts.

2. Over this period, no one source consistently produced the most accurate forecast of all of the key indicators. If any one source can be considered to have had the most success in forecasting these indicators over these years, it is the CBO. The root mean square error of CBO's prediction is equal to or lower than that of every other source for three of the five indicators.[2] Wharton Econometric Forecasting Associates had the lowest error in forecasting real GNP, and CBO was tied for second. In forecasting the Treasury bill rate, the OMB had the lowest root mean square error.[3]

3. Forecast errors tend to result from developments that few if any forecasters anticipated, causing forecasts generally to err in the same direction. Thus, with few exceptions, the error reported in Table B-2 for every source's forecast of a particular indicator in a particular year has the same sign. For example, (except for one perfect forecast) all sources overestimated real GNP growth in 1982 and 1985, and all sources underestimated real growth in the other 4 years. Over the entire 6 year period, the mean error of all sources' forecasts of real growth was negative, while the mean error of all sources' forecasts of inflation was positive. This result is more likely a reflection of the particular events occurring in those 6 years than it is a reflection of an underlying bias in all sources' forecasting techniques.

Current Forecasts

GAO surveyed current private sector forecasts to provide one basis for evaluating the reasonableness of the current OMB and CBO forecasts. Key results of our survey are shown in Table B-3.

Compared to CBO, OMB forecasts higher real growth and higher interest rates but a slightly slower rate of growth in the GNP deflator. The real growth rates forecast by both OMB and CBO exceed those forecast by the typical private sector sources we have examined. OMB's real growth rate is 0.8 percentage points above the consensus measured in the American Statistical Association/National Bureau of Economic Research (ASA/NBER) survey, and is 0.6 percentage points above the consensus measured in the Blue Chip survey. CBO's forecasted real growth also exceeds these two measures of private sector consensus, but the gap between CBO and ASA/NBER is only 0.3 percentage points and the gap between CBO and Blue Chip is insignificant. The three commercial forecasting services expect even slower growth than is

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[2]In these years CBO's forecasts tended to be released several weeks after the release of the other forecasts listed in this table. We do not know the extent to which this accounts for their somewhat better record.

[3]In fact, despite its relative success during these years, OMB did not claim to be forecasting interest rates. Its projections merely assumed that interest rates would rise or fall with forecasted changes in the rate of inflation.

Table B-3: Comparison of Current Economic Forecasts (in Percent)

	Annual[a] 1986		
	Real GNP	GNP Deflator	Nominal GNP
1. OMB	3.5	3.3	6.9
2. CBO	3.0	3.4	6.5
3. Chase	2.3	2.9	5.3
4. DRI	2.1	3.3	5.4
5. Wharton	2.6	3.1	5.7
6. ASA/NBER	2.7	3.4	6.2
7. Blue Chip	2.9	3.2	6.1
	Unemployment Rate	3 Month Bill Rate	
1. OMB	6.9	7.3	
2. CBO	6.9	6.9	
3. Chase	7.3	6.9	
4. DRI	7.2	6.6	
5. Wharton	7.2	6.4	
6. ASA/NBER	7.1	7.1	
7. Blue Chip	7.0	7.1	

Table B-3 (continued)

	Quarterly Growth[b]			
	1985 IV	1986 I	1986 II	1986 III
Real GNP				
1. OMB	4.2	4.0	4.0	4.0
2. CBO	3.2	3.5	3.3	3.4
3. Chase	2.9	1.3	1.2	3.8
4. DRI	2.9	-0.6	3.1	3.0
5. Wharton	2.8	2.0	2.6	4.2
7. ASA/NBER	3.2	2.8	2.7	3.2
8. Blue Chip	3.2	3.0	3.1	3.2

a For real and nominal GNP and GNP deflator, amounts shown are fiscal year over fiscal year growth rates. For unemployment and Treasury bill rates, amounts shown are fiscal year average rates.

b Annual Rate

reflected in the two surveys. Thus, the differences between the agencies' and the commercial services' forecasts is greater than the difference between the agencies' forecasts and the results reported in the two surveys.

The GNP deflators forecast by OMB and CBO are similar to those forecast by the commercial forecasting firms and to those contained in the surveys. Thus, most of the difference between either the OMB or the CBO forecasts of real growth and the real growth forecast by the other sources translates directly into differences in the respective forecasts of nominal GNP growth.

With respect to unemployment rates, differences between OMB and CBO as well as differences between either OMB or CBO and the commercial forecasting firms are consistent with the real growth differences noted previously: both agencies forecast slightly lower unemployment as a result of higher real growth.

The focus thus far on the relationship between the OMB and CBO forecasts and the survey averages obscures the extent of the variation in current private sector opinion about future economic activity. When the individual projections of calendar 1986 real growth reported by the 50 firms in the Blue Chip survey are divided into quintiles, the median of each quintile is:

First Quintile:	3.9 percent
Second Quintile:	3.3 percent
Third Quintile:	3.0 percent
Fourth Quintile:	2.8 percent
Fifth Quintile:	1.9 percent

In a separate announcement, the Administration has said that it expects real GNP in the fourth quarter of calendar 1986 to exceed real GNP in the fourth quarter of calendar 1985 by 4.0 percent. Together with the quarterly growth rates reported for fiscal 1986, this implies a forecast of 3.7 percent growth between calendar 1986 and calendar 1985. CBO has informed GAO that it expects 3.4 percent real growth in the fourth quarter of 1986, implying that 1986 real GNP will exceed 1985 real GNP by 3.2 percent. In the Blue Chip distribution of calendar 1986 forecasts, the OMB forecast would fall at the bottom of the first quintile and the CBO forecast would fall near the bottom of the second quintile.

In summary, the OMB and CBO real growth forecasts are well within the range of current private sector forecasts. At the same time, both agencies, but especially OMB, forecast somewhat faster real growth than is expected by either of the two measures of the private sector consensus or by any of the three commercial forecasters discussed here. Each agency's forecast of inflation is consistent with private sector forecasts, so that each agency's forecast of nominal GNP is also somewhat more optimistic than the typical private sector source. Differences with respect to unemployment are minor and are consistent with the differences in the forecasts of real growth. Finally, the OMB and CBO forecasts of interest rates seem to be consistent with current private sector thinking.

Current Economic Conditions

Economic indicators continue to follow the mixed pattern that has prevailed since mid-1984, suggesting considerable uncertainty in forecasting the economy. The most likely outcome is neither brisk nor sluggish real growth during 1986.

Several positive factors suggest that a recession is unlikely:

- The deterioration in the trade balance should be behind us as a result of last year's decline in the dollar;
- Last year's rapid monetary growth and declining interest rates suggest higher real growth in 1986. In particular, lower interest rates should support renewed strength in housing starts.
- Expected further declines in oil prices should moderate inflationary expectations, giving the Federal Reserve room to respond to any weaknesses that seem to be developing.

Several negative factors make sustained and very rapid economic growth equally unlikely:

- Consumer spending has been outstripping income growth, leading to a historically low personal savings rate;
- The moderate rate of manufacturing capacity utilization and the high office and apartment vacancy rates should weaken the attractiveness of business investment. Recent surveys suggesting a decline in constant dollar capital spending during the first half of calendar 1986 may overstate the severity of the problem, but it does not now look as though fiscal year 1986 is likely to enjoy a capital spending boom.

In this environment, we believe that real growth over each of the last three quarters of fiscal 1986 is unlikely to be more than 5.0 percent or less than 1.0 percent. If we start with the Commerce Department's very preliminary estimate of a 3.2 percent real growth rate in the fourth quarter of calendar 1985, real growth at an annual rate of 5.0 percent in each of the first three calendar quarters of 1986 implies growth in fiscal 1986 averaging 3.6 percent. From the same base, real growth at an average annual rate of 1.0 percent in each of the next three quarters implies growth in fiscal 1986 averaging 2.1 percent. Historically, quarterly growth rates have been much more volatile than have average growth rates over the course of a year. Thus, it is entirely possible that growth in one or two of the remaining quarters in fiscal 1986 will be outside of GAO's range. Nonetheless, we expect the average for the three remaining quarters to fall within GAO's range and we do not expect two consecutive quarters of negative growth.

Summary

GAO does not expect real growth in each of the next three quarters to be more than 5.0 percent or less than 1.0 percent, and we do not expect real growth for fiscal year 1986 to average more than 3.6 percent or less than 2.1 percent.

Individual quarterly growth rates are much more variable and are thus much more difficult to predict than annual growth rates, and we are less confident that the actual rate for any particular quarter will fall within the range we have predicted.

The quarterly real growth rates forecast by both OMB and CBO fall well within the range GAO considers reasonable. The fiscal year real growth rates also fall within the range that GAO considers reasonable, although as a result of its assumption about the strength of the fourth quarter of calendar 1985, OMB is very near the top of that range. Compared to the private forecasts reported here, the OMB forecast is fairly optimistic. The CBO forecast is closer to the private forecasts, but is still somewhat more optimistic about real growth prospects than are most measures of private sector consensus. It is also true, however, that in recent years, on average, CBO has been among the more accurate of the forecasters of real GNP.

The unemployment rates forecast by both OMB and CBO are slightly lower than those forecast by other sources we checked, a result that is consistent with their forecast of higher real growth. Their forecasts of inflation and interest rates fall within the range of the other forecasts.

Appendix C

Principal Determinations Required by the Act

Economic Growth Rate

The estimated rate of real economic growth is as follows:

Fiscal Year 1985

April - June, 1985	1.1%
July - September, 1985	3.0%

Fiscal Year 1986

October - December, 1985	3.2%
January - March, 1986	3.0%
April - June, 1986	3.0%
July - September, 1986	3.0%

Fiscal Year 1986, overall	2.85%

We do not forecast two consecutive quarters of negative real economic growth.

This forecast and our reasons for adopting it are discussed in greater detail in Appendix B.

Table C-1 presents a summary of revenue, outlay, deficit, and budget reduction computations.

Revenues

Total revenues are estimated at $776.0 billion. This figure is the same as the amount reported as the average in the OMB/CBO report.

Outlays

Total budget outlays are estimated at $996.5 billion. This figure is the same as the amount reported as the average in the OMB/CBO report.

Budget Deficit Before Reductions

The total budget deficit, estimated in accordance with the procedures specified in section 251 of the Act, is $220.5 billion. This amount is the same as that reported as the average in the OMB/CBO report.

The maximum deficit amount specified for fiscal year 1986 in section 3(7) of the Congressional Budget Act of 1974, as amended, is $171.9 billion. The estimated deficit exceeds this amount by $48.6 billion.

Table C-1: Summary of Required Reductions
(In billions of dollars)

	OMB	CBO	Results of Averaging	GAO
Total Budget Revenue	774.9	777.2	776.0	776.0
Total Budget Outlays	994.9	998.0	996.5	996.5
Budget Deficit	220.1	220.9	220.5	220.5
Maximum Deficit Amt.	171.9	171.9	171.9	171.9
Deficit Excess	[a]	[a]	48.6	48.6
Required Outlay Reduction:				
Defense	5.850	5.850	5.850	5.850
Non-defense	5.850	5.850	5.850	5.850
Total	11.700	11.700	11.700	11.700
Reductions from Automatic Spending Increases:				
Defense Retirement	0.496	0.497	0.497	0.497
Non-defense:				
Retirement	0.496	0.497	0.497	0.497
Other	0.045	0.045	0.045	0.045
Subtotal	0.541	0.542	0.542	0.542
Remaining Reduction Required				
Defense	5.354	5.353	5.353	5.353
Non-defense	5.309	5.308	5.308	5.308

[a] Only the averaged figure is included in the OMB/CBO report

Required Reductions in Outlays

Section 251(a)(3)(A) of the Act provides that, with respect to fiscal year 1986, the amount by which accounts shall be reduced shall be 7/12 of the amount of the excess deficit, but not more than $11.7 billion. Accordingly, the amount of the required reductions is $11.7 billion.

Section 251(a)(3)(B) of the Act provides that half the required reductions shall be made in defense programs and half in non-defense programs. Accordingly, the required reductions in defense and non-defense programs are each $5.9 billion.

Automatic Spending Increases

Increases in outlays due to changes in indexes for programs listed in section 257(1) of the Act are required to be reduced to zero, unless such reduction would exceed one-half of the adjusted deficit excess. For programs listed in section 257(1)(A), this is estimated to reduce outlays by $994 million. Section 251(a)(3)(E)(i) provides that half this amount ($497 million) shall be credited to the required reduction in defense programs and half to non-defense.

For programs listed in section 257(1)(B) of the Act, the reduction in automatic spending increases is estimated to reduce outlays by $45 million. Section 251(a)(3)(F)(i) provides that this amount shall be credited to the required reduction in non-defense programs.

The amounts and percentages by which automatic spending increases are required to be reduced, and the resulting amount by which outlays are estimated to be reduced, are shown for each affected program in Appendix D.

Remaining Reduction--Defense Programs

After crediting half the savings from the elimination of automatic spending increases for programs listed in section 257(1)(A) of the Act, the remaining required reduction for defense programs is $5.4 billion. See Table C-2. The President has notified the Comptroller General that he will exercise his authority, pursuant to section 252(a)(2)(B), to exempt from the sequestration procedures of the Act approximately $61.3 billion within the Military Personnel Accounts of the Department of Defense.

After considering the effect of this exemption, the outlays from new budget authority and unobligated balances in other defense programs are estimated to be $110.3 billion. Accordingly, to achieve the required reduction in outlays in these accounts, new budget authority and unobligated balances are required to be reduced by 4.9 percent in each account, and for each program, project, or activity within each account.

The amount of new budget authority and unobligated balances that is required to be sequestered in order to achieve these reductions is the amount set forth for each account and for each program, project, or activity within each account in the OMB/CBO report, modified as required by Appendix A of this report.

Table C-2: Computation of Defense Percentage Reduction
(dollars in billions)

	OMB	CBO	Results of Averaging	GAO
Remaining Reduction Required ($)	5.4	5.4	5.4	5.4
Outlays from Sequesterable Budget Authority and Unobligated Balances ($)	106.2	112.4	109.3	110.3
Percentage Reduction Required	5.0	4.8	4.9	4.9

Pursuant to section 252(a)(2)(C) of the Act, the President has authority, with respect to fiscal year 1986, to adjust the sequestration requirements within accounts for defense programs. He may make a greater reduction (up to two times the percentage reduction otherwise applicable) in one or more programs, projects, or activities within an account. To the extent that he makes such additional reductions, the President may provide for a lesser reduction (or no reduction at all) for another program, project, or activity in the same account.

Certain of these adjustments are reflected in the OMB/CBO report, and our review revealed no inconsistencies with the requirements of the Act. Further adjustments, not reflected in the OMB/CBO report, may be made in the President's order, issued pursuant to section 252 of the Act.

In addition, the President has the authority, pursuant to section 251(d)(3) of the Act and subject to certain constraints, to substitute the termination or modification of existing defense contracts for the sequestrations otherwise required. No such terminations or modifications have been proposed.

Remaining Reduction--Non-Defense Programs

After crediting half the savings from eliminating automatic spending increases for programs listed in section 257(1)(A) of the Act, together with the savings from eliminating automatic spending increases for programs listed in section 257(1)(B), the remaining required reduction for non-defense programs is $5.3 billion. See Table C-3.

Table C-3: Computation of Non-defense Percentage Reduction
(Dollars in billions)

	OMB	CBO	Results of Averaging	GAO
Remaining Reduction Required ($)	5.3	5.3	5.3	5.3
Reduction under Special Rules ($)	0.4	0.4	0.4	0.4
Remaining Reduction($)	4.9	4.9	4.9	4.9
Outlays from Sequesterable Budget Resources ($)	114.4	115.1	114.8	115.2
Percentage Reduction Required	4.3	4.3	4.3	4.3

Application of Special Rules

Section 256 of the Act specifies certain rules governing the application of the procedures to the following programs:

Guaranteed Student Loans
Medicare
Foster Care and Adoption Assistance
Community and Migrant Health Centers, Indian Health Services and Facilities, and Veterans' Medical Care
Commodity Credit Corporation.
Child Support Enforcement
Unemployment Compensation
Mine Worker Disability Compensation

The program by program application of these special rules is described in Appendix D.

The application of these special rules is estimated to result in outlay reductions totaling $397 million. Accordingly, the outlay reduction required in the remaining non-defense programs is $4.9 billion.

Percentage Reduction in Other Non-Defense Programs

Outlays from sequesterable budgetary resources (new budget authority, new loan guarantee commitments, new direct loan obligations, obligation limitations, and spending authority as defined in section 401(c)(2) of the

Congressional Budget Act of 1974, excluding the accounts and portions of accounts which are exempt or subject to special rules) are estimated at $115.2 billion for non-defense programs in fiscal year 1986. To achieve the needed reduction in these outlays, sequesterable budgetary resources are required to be reduced at the uniform rate of 4.3 percent.

The amount of the required sequestering for each account, together with the estimated outlay reduction resulting therefrom, is the amount shown in the OMB/CBO report, modified as required by Appendix A of this report.

Appendix D

Automatic Spending Increases and Special Rules

Section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 requires the Comptroller General to determine and report the outlay reductions to be achieved in two ways: by modifying or suspending automatic spending increases in the programs listed in section 257(1) and by applying the special rules listed in section 256, subsections (c) through (l).

Automatic Spending Increases

The OMB and CBO estimates and the Comptroller General 's estimate with respect to each automatic spending increase are shown in Table D. GAO's estimate is the same as the estimate reported in the OMB/CBO report. In those cases when OMB and CBO agreed, the amount shown is the estimate to which they agreed. In those cases when OMB and CBO estimates did not agree, the amount shown is the average of the individual estimates.

Withholding the automatic spending increase in several of the programs is estimated to have no effect on outlays because of the assumption that benefit payments in these programs would not have been adjusted during the remainder of fiscal year 1986 even in the absence of the Act. Unless otherwise noted in Table D, the automatic spending increase in the absence of the Act would have been 3.1 percent. All automatic spending increases modified by the Act will be reduced to zero.

Savings from the retirement and disability programs listed in subparagraph (A) of section 257(1) are estimated to total $993.5 million; one-half of these savings are treated as defense sequestrations and one-half are treated as non-defense sequestrations. Savings from the other indexed programs listed in subparagraph (B) of section 257(1) are estimated to total $44.8 million and are treated as non-defense sequestrations.

Special Rules

The following programs and items are subject to special rules under the Act:

Guaranteed Student Loans

Section 251(a) requires calculating of the maximum reduction permissible by applying specified rules to the Guaranteed Student Loan program. The maximum effect of the rules specified in section 256(c) of the Act would be achieved if the special allowance payable to lenders were to be reduced by 0.40 percentage points and the origination fee for these loans were to be increased by 0.50 percentage points for all new student loans originated between March 1, 1986, and September 30, 1986. The reduction in the special allowance applies only to the first four payments.

Table D: Estimated Outlay Savings from Sequestering Automatic Spending Increases in Fiscal Year 1986 (in millions of dollars)

Program	OMB Estimate	CBO Estimate	GAO Estimate
Retirement and Disability Programs (Section 257(1), Part A)			
Black lung benefits[a]	0	0	0
CIA retirement and disability system fund	b	b	b
Civil service retirement and disability fund	529.0	540.0	534.5
Comptrollers general retirement system	c	c	c
Foreign service retirement and disability fund	5.7	6.0	5.9
Judicial survivors' annuities fund[a]	0	0	0
Longshoremen's and harbor workers' compensation benefits[d]	0	0	0
Military retirement fund	410.2	408.0	409.1
NOAA retirement	0.2	0.2	0.2
Pensions for former Presidents[a]	0	0	0
Railroad Retirement Tier II[e]	18.0	18.0	18.0
Retired pay, Coast Guard	10.2	7.0	8.6
Retirement pay for commissioned Public Health Service officers	2.6	2.0	2.3
Special benefits, FECA[f]	17.0	13.0	15.0
Special benefits for disabled coal miners[a]	0	0	0
Tax Court judges survivors annuity fund[a]	0	0	0
TOTAL, Part A	992.8	994.2	993.5
Other Programs (Section 257(1), Part B)			
National Wool Act[g]	10.3	10.3	10.3
Special milk program[h]	0	0	0
Vocational rehabilitation[i]	34.5	34.5	34.5
TOTAL, Part B	44.8	44.8	44.8

Notes for Table D

a Benefits are indexed to General Schedule , Judicial, or Executive Level Pay, which did not increase for fiscal year 1986.

b Amounts are classified and have not been included in totals.

c Less than $50,000.

d The automatic spending increase in this program took effect October 1, 1985, before enactment of P.L. 99-177; the increase was 2.7 percent.

e Scheduled benefit increase was 1.0 percent.

f Scheduled benefit increase was 3.4 percent

g Scheduled increase was 4.8 percent

h Benefits are indexed to the Producer Price Index for Fresh Processed Milk which is estimated to decline during the measuring period for the 1986 COLA. Thus, no increase was projected in the absence of the Act

i Authorized level is indexed to change in CPI-U for year ending October 1984; increase would have been 4.2 percent

Individual items may not add to totals due to rounding

OMB and CBO agree in their estimate of the maximum effect of this provision, and we have adopted their estimate. The decrease in special allowance payments to lenders is estimated to have the effect of sequestering $5.0 million in fiscal year 1986 budget authority. The increased fees paid by students are estimated to have the effect of sequestering $29.1 million in fiscal year 1986 budget authority. The combined effect of the two changes is estimated to have the effect of sequestering $34.1 million. Since there is a delay in receiving the fees and making special allowance payments, outlay reductions for fiscal year 1986 are estimated to be only $9.6 million.

The maximum reductions allowable under this rule ($9.6 million) are less than the reductions that would occur if the general sequester percentage were applied to the Guaranteed Student Loan Program. Thus, the estimated maximum reduction is also the estimated actual reduction.

Medicare

Section 251(a) requires calculating the maximum reduction permissible under section 256(d). It requires these reductions to be made unless the reduction achieved through the application of the general rule for sequestering non-defense programs would produce a lesser reduction. Section 256(d) provides that each separate payment amount for covered services shall be reduced by one percent over the remainder of fiscal year 1986. OMB and CBO agree that this change is estimated to reduce fiscal year 1986 outlays by $300.0 million, and we have adopted their estimate. Applying the general rule would not produce a lesser reduction.

Foster Care and Adoption Assistance

Only federal matching payments for state increases in foster care maintenance payment rates and adoption assistance payment rates are subject to sequester under Section 256 (f) of the Act. OMB and CBO agree that the total budget authority for these programs in the Office of Human Development Services of the Department of Health and Human Services is $549.6 million; that $6.6 million in budget authority will be sequestered; and that outlays will be reduced by $5.1 million as a result of sequesteration. We concur in these estimates.

Community and Migrant Health Centers, Indian Health Services and Facilities, and Veterans' Medical Care

Section 251 (a) of the Act requires calculating the maximum reduction permissible under section 256 (k). It also requires such reductions to be made unless the reduction achieved through the application of the general rule for sequestering domestic programs -- 4.3 percent in this fiscal year -- would result in smaller reductions. Section 256 (k) stipulates a maximum permissible reduction of 1 percent of the fiscal year 1986 budget authority for these programs. One percent produces the smaller reduction, and thus is applied for fiscal year 1986. Sequestration is estimated to yield outlay reductions of $3.0 million for the Community and Migrant Health Centers programs; of $0.1 million for Indian Health Facilities; and of $5.9 million for Indian Health Services. All are programs of the Health Resources and Services Administration of the Department of Health and Human Services.

Outlay reductions from the Veterans' Administration's Veterans Medical Care program are estimated at $73.6 million. The total amount of outlay reductions under this special rule for these programs is estimated at $82.6 million. OMB and CBO agree on each of these estimates, and we concur.

Commodity Credit Corporation

Section 256(j) specifies the procedures for reducing outlays of the Commodity Credit Corporation. Section 251(a)(3)(F)(iv)(II) provides that in determining the uniform sequester amount for non-defense programs, reductions with respect to Commodity Credit Corporation contracts entered into during the fiscal year are to be credited as reductions for that year, even if the outlay reduction actually occurs in the next fiscal year. OMB and CBO made separate estimates of the effect of applying these rules. Although the estimates differed slightly, each individual estimate rounded to $0.8 billion, and we have adopted the estimate of $0.8 billion. Roughly half of the estimated $0.8 billion outlay reductions will occur in fiscal year 1987.

Child Support Enforcement

Section 256 (e) of the Act requires that the full amount of any reduction in expenditures under section 455 and 458 of the Social Security Act will be achieved by reducing the federal matching rate for state administrative expenses. OMB and CBO agree that in order to achieve the required savings of $31.4 million, the federal matching rate on most child support enforcement expenditures must be reduced from 70 percent to 66.65 percent and that the rate for computer-related expenditures must be reduced from 90 to 85.69 percent. GAO concurs.

Federal Pay

Section 256(g) provides that federal pay under a statutory pay system and certain elements of military pay shall be subject to sequestration, except that a sequestration order may not have the effect of reducing the rate of pay or the rate of any specified element of military pay. We agree with the conclusion in the OMB/CBO report that the amount of savings to be achieved in 1986 from reducing available funds for employee compensation cannot be estimated.

Unemployment Compensation

Section 256(h) provides that the following are not subject to reduction:

- regular unemployment compensation payments by a state from its account in the Unemployment Trust Fund,
- advances to states from the federal unemployment account, under Title XII of the Social Security Act, and advances to the account under section 1203 of that Act, and
- payments from the Federal Employees Compensation Account (FECA) and funds appropriated, transferred to, or deposited in that account.

Payments to states under section 204 of the Federal-State Extended Unemployment Compensation Act of 1970 are subject to reduction. These payments are required to be reduced by 4.3 percent, the percentage sequester amount applied to most other non-defense programs.

OMB estimated the effect of sequestering extended unemployment benefits to be an outlay reduction of $1.0 million, while the outlay reduction estimated by CBO was $1.1 million. The average of these estimates was $1.0 million. OMB estimated that sequestering railroad unemployment benefits would reduce outlays by $7.4 million, and CBO estimated the reduction to be $8.1 million. The average of the two estimates was $7.8 million. We have adopted the respective averages of these two estimates as our estimate of the effect of this special rule.

Mine Worker Disability Compensation

Section 256(i) provides that increases in disability benefits under the Federal Mine Safety and Health Act are not subject to reduction except in the same manner as automatic spending increase programs. The benefit programs under the Federal Mine Safety and Health Act are listed in the table showing the effect of the Automatic Spending Increase provisions. Since no automatic spending increase would have occurred in these programs in the absence of P.L. 99-177, the Act has no effect on outlays in these programs.

Obligated Balances

Section 256 (l) provides that obligated balances shall not be subject to reduction, except for certain defense contracts, which may be terminated or modified to achieve outlay savings under specified conditions, if the President notifies the Comptroller General and the Congress of such proposed actions by specified dates (January 15, 1986, for fiscal year 1986). No defense terminations or modifications were proposed for this year.